

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1861 – HB 1923

March 20, 2018

SUMMARY OF ORIGINAL BILL: Adds the chairs and membership of the Fiscal Review Committee to the list individuals who shall annually receive a synopsis of The Conference and Convention Center Facilities Compliance Report by the Comptroller of the Treasury.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (015729): Deletes all language after the enacting clause. Requires that any bond, note, or other indebtedness, including any refinancing or refunding, proposed to be issued under the *Convention Center and Tourist Development Financing Act of 1998* (the Act), must be approved by the State Funding Board (the Board). Establishes that the Act only applies to tourist development zones (TDZs) existing as of the effective date of this legislation. Establishes that any letter of intent, for the purpose of establishing a tourist development zone (TDZ), which was previously filed with the Department of Finance and Administration (F&A), is no longer valid, and further establishes that an outstanding letter of intent does not authorize the creation of a TDZ. Establishes that each TDZ is strictly prohibited from expanding its boundaries or extending its term. Establishes that any modification to a TDZ must be approved by the Board. Grants the Board with express authority to deny proposed uses of funds, if it determines by a majority vote that any proposed use is not economically feasible or not in the best interest of the state.

Requires the municipality or public authority in which a TDZ is located to file an annual report in a form and in accordance with procedures prescribed by the Comptroller of the Treasury, which shall include: a list of contractual commitments over \$100,000 entered into during the previous fiscal year, which are funded in whole or in part by TDZ funds; the principal debt and interest, TDZ revenues, total expenditures, expenditures made with surplus funds, outstanding indebtedness, periodic surplus/deficits, and cumulative surplus deficit; the cumulative amount of funds expended from the TDZ as a whole, and by sub account on each qualified public use facility, and indicate whether such funds were bond proceeds or surplus revenues; and an annual sources and use report showing all funds received or expended in conjunction with, in relation to,

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or leveraged with TDZ funds. Received funds shall be stated separately from each funding source, and receipts or expenditures of less than \$100,000 may be reported in the aggregate by category.

In addition to the annual report, the State Building Commission, acting through the Commissioner of the Department of Finance and Administration, has the authority to request at any time a sources and uses report showing all funds received or expended by the municipality or public authority with respect to the TDZ during the previous three months.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Unknown state cost avoidances and equivalent amounts of forgone local revenue. In addition, passage of this legislation may result in the prevention of public authorities and local governments from entering into additional forms of indebtedness, subject to approval of the State Funding Board. The extent and timing of any impacts upon state or local government cannot be determined for they are dependent upon future unknown events that would occur in the absence of this legislation.

Assumptions for the bill as amended:

- This legislation will prohibit any letter of intent previously filed or outstanding from a public authority or local government which has previously, and prior to the effective date of the bill as amended, been approved for an expansion of TDZ boundaries or for expanding a term of a TDZ.
- Preventing any modification of an existing TDZ is assumed to result in cost avoidance to the state and an equivalent amount of forgone revenue to the applicable local entity, as the modification of an existing TDZ is generally assumed to result in an increase in the special apportionment from the increase in state and local sales and use tax, relative to previous year's base tax collections, to the applicable local entity. Any such increase in local revenue is equivalent to a like-amount decrease in revenue that would have, in the absence of the TDZ, been allocated to the General Fund.
- Due to numerous unknown factors, any state cost avoidance and forgone local revenue cannot be reasonably estimated.
- This legislation requires the Board to approve all forms of indebtedness proposed by a TDZ.
- This legislation may result in any number of forms of indebtedness, as proposed by the local government or public authority, having control over a TDZ, from being approved.
- Any decrease in the forms of indebtedness undertaken by a local government or public authority will have an unknown impact upon any such local government or public authority.
- Requiring municipalities or public authorities to file annual reports, and upon request by the State Building Commission, a three-month report, is not estimated to have a significant impact on local governments.

- The Comptroller's Office can prescribe, prepare, and establish forms and procedures for the annual report established by the bill as amended, utilizing existing resources without the need for an additional appropriation or a reduced reversion.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Other Commerce Impact – Any impact to commerce and jobs in Tennessee cannot be determined for such impacts are dependent upon future unknown events that would occur in the absence of this legislation.

Assumption for the bill as amended:

- Any impact to commerce or jobs in Tennessee cannot be determined for such impacts are dependent upon future unknown events that would occur in the absence of this legislation.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb